

(A) Contracts or policies of insurance issued to meet the financial responsibility requirements prescribed in this chapter must be issued for not less than six months. A contract or policy of insurance remains in effect at least sixty days notwithstanding a power of attorney which may purport to give the attorney-in-fact the right to effect cancellation on behalf of the insured. However, a contract or policy may be canceled within the first sixty days only under one or more of the following circumstances:

(1) A check or bank draft tendered by the insured for payment of premium is returned unpaid for insufficient funds or other reason by the insured's financial institution.

(2) The insured produces satisfactory proof from the department that he has sold or otherwise disposed of the insured vehicle or surrendered its tags and registration.

(3) The insured has secured another policy that meets the financial responsibility requirements prescribed in this chapter.

(B) This section does not prohibit refunds to the insured for cancellations after sixty days resulting from causes other than nonpayment of premium. Where an insurance company cancels a contract or policy pursuant to this section for nonpayment of premium under the circumstances in subsection (A) which occurs within the first sixty days, the insurance company or agent may charge and collect a fifteen-dollar penalty in addition to that otherwise provided by law, and the penalty charge is not a premium charge.